

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

September 27, 2016

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Docket No: CFPB-2016-0025

Dear Director Cordray:

We write to applaud the Consumer Financial Protection Bureau (CFPB) for taking a critical step in protecting America's consumers by proposing the first set of federal regulations specifically focused on small-dollar lending. For years, some small-dollar lenders—offering products such as payday loans, deposit advances, vehicle title loans, and high-cost installment loans—have extracted billions of dollars in abusive fees and high interest rates from the very consumers and communities who can afford it the least. The result has left millions of consumers trapped in an endless cycle of debt.

We support the Bureau's efforts to ensure that fairness, honesty, and transparency become basic components of the products offered by the small-dollar lending industry. Moreover, we firmly reject the idea that the need for access to small-dollar credit somehow requires regulators to turn a blind eye to any predatory practice or product feature that hurts borrowers.

It is with these principles in mind that we encourage the CFPB to adopt a final rule that truly ensures access to responsible small-dollar credit. The CFPB's final rule must close every loophole that is shown to harm consumers.

The Bureau's adoption of an ability-to-repay principle based on a borrower's income and expenses is critical to ensuring fairness for consumers. Lenders must have an incentive to make small-dollar loans that borrowers can afford to repay, while still being able to pay for their basic living expenses—like housing, childcare, food, and medical costs.

We also encourage the Bureau to enact stronger protections against consumer abuses in the small-dollar industry by closing loopholes that would allow borrowers to take out multiple loans in succession or provisions that would reduce the cooling-off period. Earlier research by the Bureau shows that 62 percent of payday loans are made to consumers that end up taking out seven or more loans in a row. Likewise, more than two-thirds of title loan business comes from consumers who repeat borrow six or more times. This cycle of debt can lead to a cascade of financial consequences, like bank penalty fees, lost bank accounts, delinquency on other bills, and even bankruptcy.

Fourteen states and the District of Columbia have already responded to these concerns by banning high-cost payday lending for their residents. The final CFPB rule should

strengthen and support these strong consumer protections by affirming the importance of strong state laws that protect consumers from the harm caused by triple-digit interest rates.

More needs to be done to prevent consumers from falling into a debt trap. Though we applaud the CFPB for taking the necessary first steps to address predatory practices in the small-dollar credit market, we urge you to adopt a final rule with additional protections that will ensure responsible lending. Only a comprehensive federal framework, free of harmful loopholes, can supplement existing state protections and help stop consumers from becoming trapped.

Sincerely,



Ranking Member Maxine Waters
House Financial Services Committee



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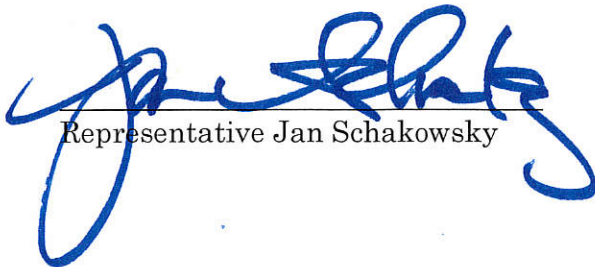
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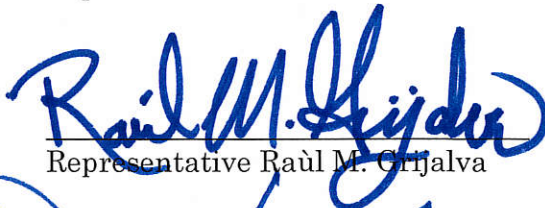
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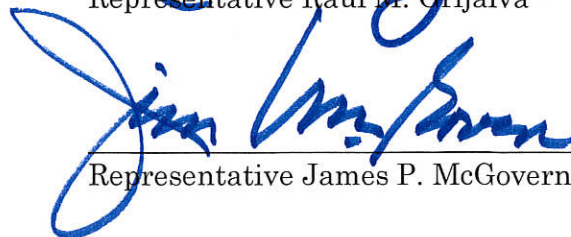
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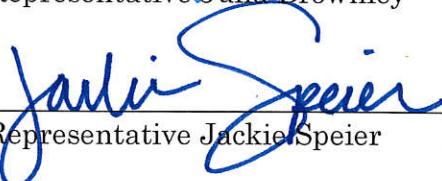

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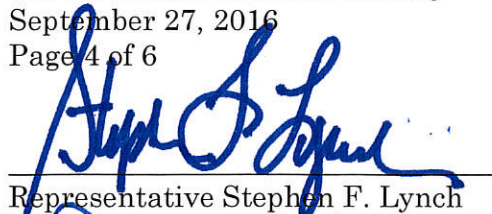

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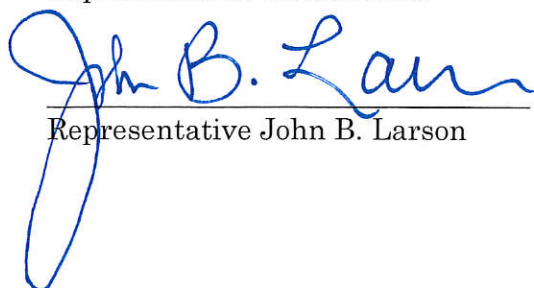

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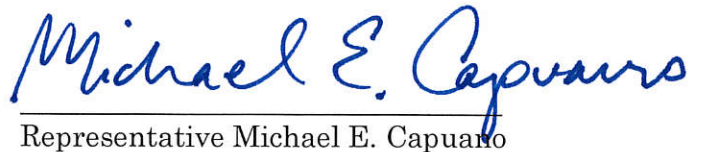

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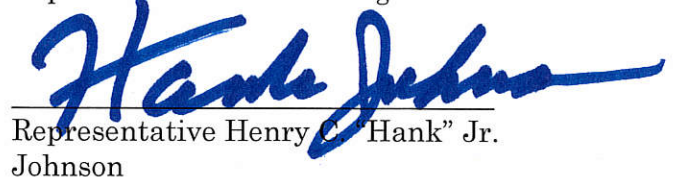

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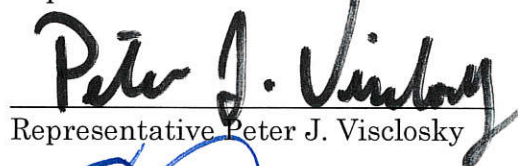

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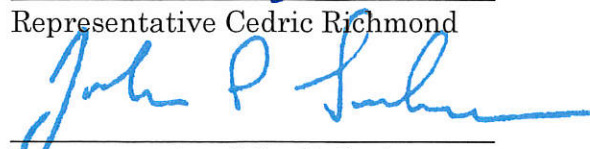

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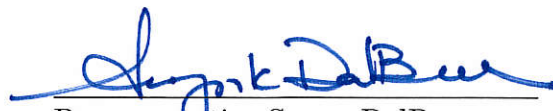

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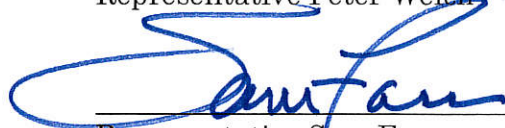

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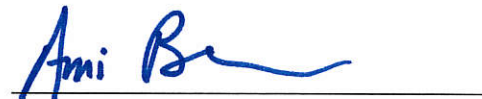

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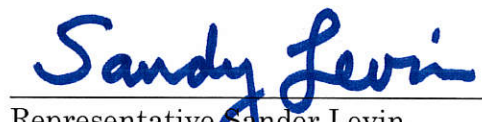

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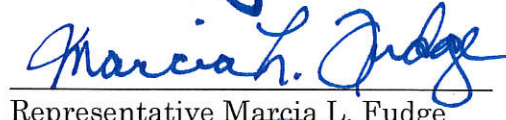

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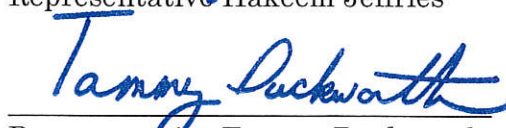

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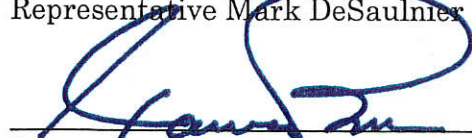

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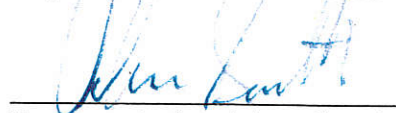

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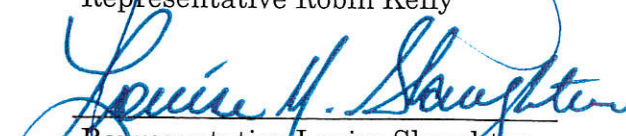

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